

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-03 PA-03

PRS-01 USIA-15 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 INT-08 SCEM-02 RSR-01

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C O N F I D E N T I A L LISBON 2813

E.O. 11652: GDS

TAGS: EIND, ENRG, PO

SUBJECT: PORTUGAL PRESSURES FOREIGN OIL COMPANIES

REF: LISBON 0612

SUMMARY: RECENT ACTIONS BY GOP HAVE SIGNIFICANTLY REDUCED BELOW 1972 LEVELS PORTIONS OF PETROLEUM PRODUCT MARKET ALLOTTED TO FOREIGN OIL FIRMS, INCLUDING MOBIL. LATTER MAY HAVE TO CLOSE DOWN 70 STATIONS FOR THE BALANCE OF THIS YEAR, CLOSE DOWN 30 STATIONS PERMANENTLY, AND SELL 30 OTHERS TO PORTUGUESE FIRM UNDER CONDITIONS AND FOR TERMS HIGHLY FAVORABLE TO BUYER. END SUMMARY

1. MOBIL PORTUGUESA PRESIDENT DAVID TAYLOR HAS ON SEVERAL OCCASIONS IN PAST FEW MONTHS EXPRESSED APPREHENSION AT GOP MOVES WHICH APPEARED DESTINED TO REDUCE SIGNIFICANTLY FOREIGN OIL COMPANIES' SHARES OF DISTRIBUTION BUSINESS IN PORTUGAL IN FAVOR OF TWO PORTUGUESE DISTRIBUTORS, SACOR AND SONAP, PARTICULARLY FAVORING THE LATTER. (GOP HAS 33-1/3 PERCENT OF SACOR, CONFIDENTIAL

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20 PERCENT OF SONAP. GOP STEPS TAYLOR COMPLAINS OF

STARTED SHORTLY AFTER ACQUISITION OF 25 PERCENT OF SONAP STOCK BY POWERFUL CUF GROUP AND THE AWARD TO THE SONAP/CUF GROUPS OF THE NEW SOUTHERN REFINERY.) FIRST SPECIFIC GOP MOVE WAS AUGUST 1972 DECREE LIMITING THE IMPORT QUOTAS OF VARIOUS PETROLEUM PRODUCTS ALLOTTED TO EACH FOREIGN COMPANY FOR FUTURE MARKETING TO NO MORE THAN 1972 VOLUME LEVELS (SEE REFTEL). THEN IN MAY GOP ISSUED QUOTAS FOR 1973 WHICH SIGNIFICANTLY REDUCED QUOTAS FOR FOREIGN COMPANIES BELOW 1972 LEVELS, GIVING RESULTING EXCESS TO SONAP. AT THE TIME, TAYLOR FELT GOP WAS, IN EFFECT, FORCING MOBIL TO SELL, IN A DISTINCTLY BUYER'S MARKET, SOME OF ITS 350 STATIONS TO SONAP (WHICH HAS SOME 200) IN ORDER TO ENABLE SONAP TO MARKET ITS LARGE NEW QUOTA. HE HAD HOPES THEN THAT MOBIL TOGETHER WITH OTHER FOREIGN COMPANIES (SHELL AND BP) COULD NEGOTIATE MORE REASONABLE ATTITUDE FROM GOP.

2. COMPANIES HAD SEVERAL DISCUSSIONS WITH MINISTER OF FINANCE AND ECONOMY AND WITH SECRETARY OF STATE FOR INDUSTRY DURING MAY-JULY WHICH INCONCLUSIVE EXCEPT FOR ASSURANCES BY GOP PARTICIPANTS THAT THEY SAW NO PROBLEM IF FOREIGN COMPANIES SOUGHT TO NEGOTIATE DISTRIBUTION CONTRACTS UNDER WHICH PORTUGUESE COMPANIES WOULD TRANSFER PORTION OF THEIR 1973 QUOTAS TO FOREIGN COMPANIES TO OVERCOME MAJOR DISRUPTIONS IN THE MARKET IN VIEW OF THE FACT THAT FIVE MONTHS OF SALES HAD ALREADY BEEN MADE BEFORE THE REDUCED QUOTAS WERE IMPOSED. IN APPARENTLY UNGUARDED MOMENT, GOP REPS GAVE INDICATION THAT THEY ENVISIONED FUTURE COLLABORATION OF FOREIGN OIL COMPANIES IN OFF-SHORE EXPLORATION/ PRODUCTION AND PETROCHEMICALS (PRESUMABLY FOR MARKETING OUTSIDE PORTUGAL) RATHER THAN IN DOMESTIC DISTRIBUTION.

3. MOBIL THEREFORE DECIDED TO NEGOTIATE WITH SONAP, OFFERING LATTER 60 OF ITS STATIONS IN EXCHANGE FOR SUFFICIENT SHARE OF 1973 SONAP QUOTAS TO ENABLE MOBIL TO CONTINUE OPERATING BALANCE OF ITS STATIONS FOR REST OF THIS YEAR. (THIS MOVE WAS ALSO CONNECTED WITH EFFORTS BY MOBIL TO NEGOTIATE A 12 PERCENT INTEREST

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IN SOUTHERN REFINERY PROJECT WHICH, IF ACHIEVED, WOULD GUARANTEE CERTAIN MARKET QUOTAS FOR MOBIL IN FUTURE.) SONAP INDICATED INTEREST IN 30 OF STATIONS BUT SAID IT COULD NOT CONCLUDE DEAL UNTIL GIVEN GO-AHEAD BY GOP. ON JULY 26, SONAP INFORMED MOBIL IT HAD RECEIVED DECISION ON MATTER FROM DIRECTOR OF GOP FUEL BOARD, MOURA VICENTE, TO EFFECT THAT NO COMPANY WOULD BE ALLOWED TO TRANSFER ANY PORTION OF ITS QUOTA

TO ANOTHER. SONAP HAS OFFERED TO PURCHASE THE 30 MOBIL STATIONS, BUT THIS WILL NOT SOLVE MOBIL'S PRODUCT SHORTAGE.

4. TAYLOR IS SEEKING APPOINTMENT WITH MINISTER TO VERIFY FUEL BOARD DECISION. IF IT CONFIRMED, MOBIL WILL BE FACED WITH OPTIONS OF CONTINUING NORMAL OPERATIONS AND THEREBY EXHAUSTING ITS QUOTA OF GASOLINE AND GASOIL BY OCTOBER, RATIONING PRODUCTS TO ITS STATIONS, OR CLOSING SOME DOWN. OF ITS 350 STATIONS, 280 ARE UNDER CONTRACT, REMAINING 70 BEING OWNED OUTRIGHT BY MOBIL. TAYLOR FEELS LEAST DAMAGING OF OPTIONS WOULD BE TO CLOSE DOWN FUEL SALES AT ITS OWN 70 STATIONS FOR THE REST OF THIS YEAR PAYING THE DEALERS FOR THEIR LOST MARGINS, SELL SONAP THE 30 STATIONS IT IS INTERESTED IN, AND CLOSE DOWN PERMANENTLY THE 30 STATIONS REJECTED BY SONAP. HE IS FEARFUL, HOWEVER, THAT GOP IN ITS PRESENT MACHIAVELLIAN MOOD MIGHT THEN WITHDRAW MOBIL'S LICENSE TO OPERATE IN ITS 70 OWNED LOCATIONS AND TRANSFER THE LICENSES TO SONAP, WHICH COULD THEN DICTATE TO MOBIL TERMS FOR ITS ACQUISITION OF THESE STATIONS. TAYLOR LOOKS UPON THESE GOP MOVES AS COMING CLOSE TO NATIONALIZATION OF ASSETS MOBIL HAS BUILT UP DURING ITS 77 YEARS OF OPERATION IN PORTUGAL.
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